Office of the Superintendent of Financial Institutions Canada | Bureau du surintendant des institutions financières Canada

Office of the Superintendent of Financial Institutions

ANNUAL REPORT

April 1st, 2023 - March 31st, 2024

OSFI
BSIF

Canada

I, Peter Routledge, on behalf of the Office of the Superintendent of Financial Institutions (OSFI), present the annual performance statement of OSFI for the Fiscal Year 2023-24 reporting period, as required under the Bank Act, the Trust and Loan Companies Act, the Insurance Companies Act and the Cooperative Credit Associations Act. In my opinion, this annual report accurately presents the performance of OSFI and complies with section 40 of the OSFI Act.

Cover features, from left to right:
Amélie Charron, Manager, Private Pension Plans
Jackie Ruan, Actuary, Social Insurance Programs
John Freamo, Manager, Corporate Communications

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A letter from the Superintendent

I am pleased to present OSFI's 2023-24 Annual Report, which highlights key accomplishments over the past year. For over 37 years now, OSFI has been regulating and supervising Canada's banks, most insurance companies, and many private pension plans. OSFI also houses the Office of the Chief Actuary (OCA), which provides a range of actuarial valuation and advisory services to the federal government.

Fiscal year 2023-24 was very busy for us. Not only did we successfully navigate an increasingly complex risk environment, but we also continued to build resilience in Canada's financial system through our initiatives and advancement of supervisory and regulatory actions.

This year, we updated our Supervisory Framework to reflect our new risk appetite, better respond to new financial and non-financial risks, and give broader flexibility to our supervisors in their decision-making processes. We also updated several of our guidelines, and we embarked upon a series of culture change initiatives that transformed the way we connect with and support our people in the work they do. To support our supervisory and regulatory activities, we have continued to build our data and analytical capabilities, including making notable progress on the Data Collection Modernization initiative that was launched last year alongside the Bank of Canada and the Canada Deposit Insurance Corporation.

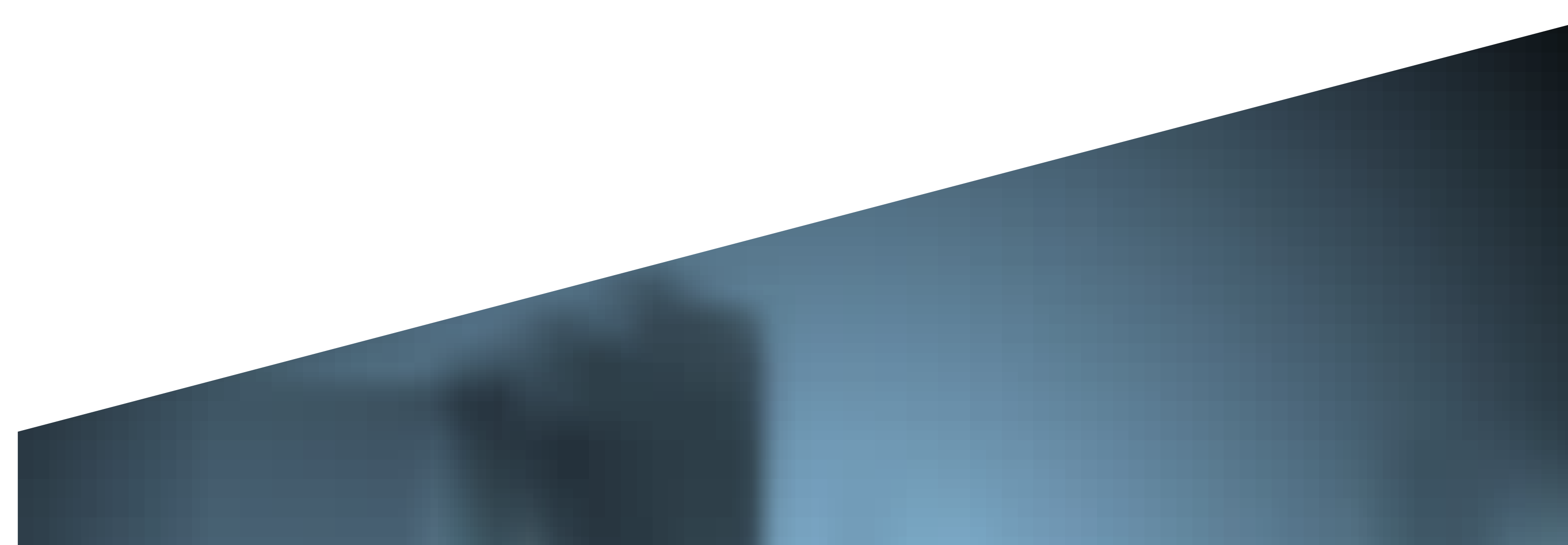
Further, our mandate was expanded through Budget 2023 to include integrity, security, and foreign interference in our supervisory and regulatory functions. To implement this new mandate, we published our final Integrity and Security Guideline in January 2024 to set expectations for how financial institutions should protect themselves.

Finally, the Office of the Chief Actuary (OCA) continued to meet its mandate by providing independent actuarial services and advice to ensure the stability and sustainability of Canada's social programs, public sector pension plans, and insurance arrangements.

I am proud of all the work we have accomplished in fiscal year 2023-2024. OSFI will continue to take a balanced approach that protects depositors, policyholders, creditors, and pension plan beneficiaries while respecting financial institutions' ability to compete and take risks. As always, OSFI will continue its work to protect the safety and soundness of Canada's financial institutions and ensure confidence in our financial system.

Thank you,

Peter Routledge



As a Top 100 Employer four years in a row, we're proud to feature team members from our offices across Canada in this year's annual report.

Image features Bassam Rizk, Director, Supervision Data and Analytics Insights, Supervision Institute.

OSFI was established in **1987** to protect depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete and take reasonable risks.

Fiscal Year 2023-2024

1,300 full-time equivalents

20 actuarial reports prepared by OCA

4 new institutions granted approval to commence business

140 reviews conducted

Supervised and regulated over **400** institutions

5 pension plans covering **187** members with a value of **$1.5M** in investments

Supervised and regulated almost **1,200** pension plans that included **1.3M** active members and beneficiaries and assets of **$246B**

About us

The Office of the Superintendent of Financial Institutions (OSFI) is an independent agency of the Government of Canada. We contribute to public confidence in the Canadian financial system by regulating and supervising approximately 400 federally regulated financial institutions (institutions)[1] and 1,200 federally regulated pension plans (pension plans).

Mandate

Our mandate is to:

- ✓ ensure that institutions remain in sound financial condition and determine if pension plans are meeting minimum funding requirements and other requirements under the legislation
- ✓ ensure institutions protect themselves against threats to their integrity and security, including foreign interference[2]
- ✓ act early when issues arise and require institutions and pension plans to take necessary corrective measures without delay
- ✓ monitor and evaluate risks and promote sound risk management by institutions and pension plans

Our mandate sets the basis for us to take actions to protect the rights and interests of depositors, policyholders, and institution creditors while having due regard for the need to allow institutions to compete effectively and take reasonable risks. It also directs our work with pension plans to protect the rights and interests of members, former members and beneficiaries.

Did you know? On June 22nd, 2023, OSFI's mandate was expanded by Parliament and now includes ensuring institutions protect themselves against threats to their integrity and security, including foreign interference.

[1] Federally regulated financial institutions include all banks in Canada, all federally incorporated or registered trust and loan companies, insurance companies, and fraternal benefit societies.

[2] In June, 2023, OSFI's mandate was expanded to include non-financial risks relating to integrity and security. In response, OSFI issued new Integrity and Security guidance and created a new National Security Sector.

Office of the Chief Actuary

The Office of the Chief Actuary (OCA) is an independent unit within OSFI. The OCA is mandated to provide a range of independent actuarial valuation and advisory services to the federal government. This includes actuarial reports for the following programs:

- Canada Pension Plan (CPP)
- Old Age Security Program
- Canada Student Financial Assistance Program

Although the Chief Actuary reports to the Superintendent, they independently develop the content and actuarial opinions contained in the reports.

Remaining a Top Employer

We are proud to announce that for the fourth consecutive year, OSFI was named a National Capital Region top employer for 2023-24. We are pleased to have our efforts recognized once again as we strive to be a diverse and dynamic employer of choice.

Leadership and organizational structure

Our organization is comprised of a diverse group of engaged employees who work to ensure confidence in the Canadian financial sector. Led by our Superintendent, our organization consists of five sectors, as well as the OCA and the Internal Audit team.

Internal governance

Over the past two years, we redefined our governance structure, which ensures a stronger and more stable governance discipline to support an agile risk response, the delegation of decision-making authority, and our ability to take timely action within our risk appetite.

Our core governance committees

Executive Committee

Our senior governing body that supports the Superintendent and is responsible for defining our overall strategic planning and reporting. It also provides effective oversight of our operations.

Management Oversight Committee

Our central advisory body that provides oversight on key internal administration and corporate matters.

Supervision and Policy Oversight Committee

Our governance body that provides strategic oversight of supervision and policy issues, supporting the Superintendent with prudential oversight for institutions and pension plans.

Enterprise Risk Management Committee

Our risk committee that provides advice to the Superintendent and other committees on fulfilling risk oversight, challenge and monitoring.

Departmental Audit Committee

Departmental Audit Committee (DAC): Our advisory body that provides the Superintendent with objective and independent advice in the areas of governance, risk management, and internal control. The committee membership includes external experts who are familiar with private and public sector financial reporting. The DAC also offers the Superintendent feedback and suggestions on specific emerging priorities, concerns, risks, opportunities, and accountability reporting.

Organization details

How we work

We regulate and supervise institutions and pension plans. For institutions, we do this by applying our regulatory and supervisory frameworks that balances the goals of safety and soundness and allows institutions to function in a competitive marketplace. We also determine if pension plans are meeting minimum funding requirements and other requirements under the legislation.

REGULATE

We develop rules, interpret legislation, and regulations; provide various regulatory approvals; and contribute to new accounting, auditing, and actuarial standards.

SUPERVISE

We analyze financial and economic trends; assess financial conditions, non-financial, and material risks; and we evaluate the quality of governance, risk management, and compliance.

Who we work with

In Canada, the Financial Institutions Supervisory Committee works together to share information and discuss issues about supervising institutions. Chaired by our Superintendent, committee members include the Department of Finance, the Bank of Canada, the Canada Deposit Insurance Corporation, and the Financial Consumer Agency of Canada who meet at least quarterly.

To contribute to a strong global financial system, we actively participate with international organizations and forums in the development of international financial regulatory frameworks. For example, we work with international organizations including the Financial Stability Board, Basel Committee on Banking Supervision, and International Association of Insurance Supervisors.

Organizational context

In April 2023, we released our second Annual Risk Outlook (ARO) publication that outlines what we see as the most significant risks facing Canada's financial system. Our ARO also informs Canadians about the supervisory and regulatory actions we plan to take in response to these risks. We published a semi-annual update to the ARO in the fall of 2023, highlighting the changing risk environment and providing an update of our planned actions and future policy expectations.

Our ARO for 2023-24 identified the following key risks:

- Housing market downturn risk
- Liquidity and funding risk
- Commercial real estate risk
- Transmission risk from the non-bank financial intermediaries sector
- Corporate and commercial credit risk
- Digital innovation risk
- Climate risk
- Cyber risk
- Third-party risk

"OSFI's second Annual Risk Outlook highlights the significant risks facing Canada's financial system and informs Canadians about our regulatory and supervisory responses to these risks. As Canada's federal financial institutions' regulator, we promote sound risk management in the financial sector in a deliberate and proactive way to reinforce Canadians' confidence in our financial system."

- Peter Routledge, Superintendent

As the risk environment evolved throughout 2023-24, we continued to remain transparent and worked towards an effective risk response through our supervisory and regulatory actions.

As a Top 100 Employer four years in a row, we're proud to feature team members from our offices across Canada in this year's annual report.

Image features Christine Bolton, Director, Risk & Data Analytics.

Our key accomplishments

In 2023-24, we continued to focus on:

- ✓ modernizing our supervisory and regulatory frameworks
- ✓ simplifying and enhancing our data collection and analytical capabilities
- ✓ implementing our expanded mandate on integrity and security in the financial system
- ✓ building our operational resilience and implementing our Blueprint

Through these efforts, we have helped maintain confidence in the Canadian financial system with our agile supervisory and regulatory response to evolving risk landscapes.

Proactive supervisory activities

We supervise institutions to determine whether they are in sound financial condition and meeting regulatory and supervisory requirements. We assessed overall risk management practices of regulated institutions to determine if they are aligned to the evolving risk environment that they operate in.

The supervisory letter is our main written communication to institutions. The letters summarize recommendations, requirements, and key findings of our assessments with the purpose of enhancing controls and processes. In total, we issued over 368 supervisory letters in 2023-24, similar to the total number of letters we issued each year in the last several years. We conducted 38 supervisory reviews of credit risk management at institutions, which led to more than 100 recommendations. We also assessed 139 submissions with evidence of meeting outstanding recommendation requirements.

Continuing our practice of holding Colleges of Supervisors to promote dialogue across regulators, facilitate information sharing and strengthen the supervision of Canada's largest banks, in 2023-24, we hosted three supervisory colleges. We host colleges every year, with institutions participating on a rotating basis.

Table 1: Supervisory activities year over year

Measures	2021-22	2022-23	2023-24
Number of reviews completed	Over 130	Over 130	140
Number of letters issued	367	375	368
Number of colleges hosted by OSFI	4	7	3

New supervisory framework

In the most profound change to our supervisory approach in 25 years, we launched our new Supervisory Framework in February 2024, which came into force on April 1, 2024, to guide our supervision of institutions and pension plans. Based on an extensive development process that involved benchmarking and peer reviews, the new framework brings improvements that aim to better protect depositors, policyholders, institution creditors, and pension plan beneficiaries. To align effectively with the new framework, we upgraded our supervisory system of record in December 2023 to a new cloud-based application with enhanced functional changes.

Notable changes about the redesign of our new Supervisory Framework include:

- ✓ expanded risk rating scale to provide earlier indications of risk
- ✓ improved rating information about risk drivers, size, and complexity
- ✓ new risk assessment categories that differentiate between financial and non-financial risks
- ✓ use of data analytics to generate insights and provide signals of changes in risk levels to support more timely interventions

Supervision Institute

Our new Supervision Institute supports our supervisors in enhancing their skills, offering new or improved supervisory tools and practices, and new supervision technologies. In 2023-24, the Supervision Institute delivered a new onboarding program for supervisors and held a series of training sessions to prepare staff for the transition to the new Supervisory Framework. The training program supported the consistency of supervisory assessment and renewed the commitment to providing our supervisors with the supervision-specific knowledge, competencies, and tools they need to assess risk and intervene effectively.

> "OSFI will never rest easy when it comes to the role of supervision in promoting financial safety and soundness. Our supervisors are on the front line, verifying that Canada's federally regulated financial institutions and private pension plans are meeting mandatory regulatory expectations through effective corporate governance and sound risk management. We're working hard on transforming our approach to supervision that builds capability and is best suited for the changes in the risk environment."
>
> – Ben Gully, Deputy Superintendent, Supervision Sector

Supervision quality assurance

We implemented supervisory quality assurance approaches, which included group rating committees and quality assurance reviews. This supported overall supervision renewal and sound risk management to improve the quality and consistency of prudential risk assessments and responses and also supported continuous improvements for supervisors.

Monitoring regulatory capital

We continuously monitor institutions' regulatory capital positions and respond in a timely manner to ensure that institutions are effectively managing risks and ensuring financial resiliency.

We launched a public consultation in July 2023 on the capital and liquidity treatment of crypto-asset exposures. The final guidance is expected to be issued in 2024-25 and aims to ensure banks and insurers hold adequate capital and have implemented the appropriate liquidity treatment for their crypto-asset exposures.

We also published the final Parental Stand-Alone (Solo) Total Loss Absorbing Capacity (TLAC) Framework in September 2023 for domestic systematically important banks (D-SIBs), and Parental Solo Capital Framework for life Internationally Active Insurance Groups (IAIGs), including the related reporting templates. The Solo TLAC and capital frameworks focus on the loss-absorbing capacity of the Canadian parent bank or Canadian parent operating life insurer, rather than its entire, consolidated operations. Doing so allows us to assess the stand-alone financial strength of the parent and its ability to act as source of strength for its subsidiaries and branches.

In addition, we published a revised Capital Adequacy Requirements Guideline in October 2023, establishing capital requirements for lenders. Changes require institutions to hold more capital for mortgages where payments do not cover the interest portion of the loan and, therefore, promote prudent allocation of capital against risks that lenders take.

We also performed quarterly Life Insurance Capital Adequacy Test (LICAT) and Minimum Capital Test (MCT) reviews throughout 2023-24, evaluating insurers' understanding and interpretation of the updated insurance capital test post International Financial Reporting Standard 17 (IFRS 17). For life insurers, we also performed a capital sensitivity test to understand LICAT volatility post IFRS 17.

Finally, we published LICAT adjustments and clarifications to ensure consistent and appropriate interpretation of the updated capital guideline and its implementation under IFRS 17, with a focus on the new segregated fund guarantee capital approach. Two LICAT adjustments and clarifications were published by June 2023.

Image features Holly Long, Policy Analyst, Policy Development team.

Effective regulation and stakeholder engagement

Our regulatory framework refers to the set of rules, guidelines, standards, and principles to regulate and supervise institutions and private pension plans. To ensure effective regulation, we have also continued to advance our stakeholder engagement activities.

Advancing our regulatory approach on non-financial risks

Effective identification, assessment, and monitoring of technology, governance, operational risk and other non-financial risks are important parts of our regulatory framework. Throughout 2023-24, we developed and updated supervisory expectations and tools to ensure alignment with new or revised non-financial risk guidelines, including technology and cyber, third party, operational resilience, culture and behaviour, and compliance. Notably:

- ✓ We developed supervisory support information products and enabled meeting and forum participation to enhance clarity and develop understanding about digital topics. These include a scan of digital innovation work planned and actioned within institutions, establishing the Digital Innovation Forum and Open-Door Meetings, and refining our Digital Innovation and Impact Roadmap in July and October 2023.
- ✓ We supported the rollout of phase two of the third-party data call to identify and monitor third-party exposures and vulnerabilities.

Domestic stability buffer

The domestic stability buffer (DSB) decisions for June 2023 and December 2023 were supported by an assessment of systemic risks and vulnerabilities in the financial services sector. We also developed and published the DSB design framework in December 2023 to enhance transparency of the DSB decision-making process.

The domestic stability buffer is a usable capital buffer that supports the resilience of systematically important banks (SIBs). Semi-annual DSB decisions ensure SIBs build capital during periods of growth and subsequently have the capacity to withstand challenges during periods of stress. In addition, during stress periods, we can release or lower the buffer, offsetting volatility in the financial system and broader economy.

Real estate and housing

We continued to be vigilant in monitoring and addressing heightened risks in the real estate mortgage lending environment. This included monitoring the risk profile of federally regulated lenders' real estate secured lending (RESL) activities and reinforcing expectations on sound residential mortgage underwriting and account and portfolio management practices. To this end, we:

- ✓ Undertook a B-20 consultation, which focused on debt serviceability measures given the increase in mortgage risk associated with the heightened level of indebtedness and the higher interest rate environment.
- ✓ Pivoted from developing a macro to a micro-prudential loan-to-income (LTI) limit based on industry feedback. We established institution-specific LTI limits on the portfolios of federally regulated lenders for new uninsured real estate secured loans to address industry concerns on lender proportionality. The LTI limits will become effective at the commencement of an institution's fiscal year 2025. We held two industry sessions to discuss this LTI tool, and a backgrounder is available on our website. This stress test has proven to be a crucial risk mitigant against the increase in rates, elevated inflation, and the potential loss or reduction of borrower income, and the LTI limit acts a backstop to the stress test in periods of low interest rates.
- ✓ Issued the RESL regulatory notice in March 2024 that underscored the need to proactively identify and address vulnerable accounts, portfolio segments, and concentrations (for example, variable rate, fixed-payment mortgages). We also ensured that forward-looking credit risk measurement, modelling, and stress testing processes were in place to estimate potential losses, and called for lenders to apply timely recognition of expected and unexpected losses due to account vulnerabilities or adverse shifts in the risk environment.

Partner engagement through public opinion research

In 2023-24, we explored opportunities for measuring and addressing gaps in stakeholder and partner engagement, which included key performance indicators. We collected feedback from financial institutions on their engagement experience with OSFI through various means, including the biennial Financial Institutions Survey (FIS).

For the 2023-24 FIS, we received a total of 99 completed surveys. Overall, satisfaction levels were positive with the majority (85%) of respondents providing a rating of 'very satisfied' (43%) or 'somewhat satisfied' (42%). Many respondents also cited cyber risk and IT (Information Technology) security as areas that should remain a top priority for us in the coming years.

The results of the survey provided us with valuable guidance on overall performance and opportunities for improvements with respect to recommendations, activities, communications, and processes.

Stakeholder affairs framework

Throughout 2023-24, we streamlined our approach to stakeholder affairs. This included the creation of a Stakeholder Relationship Management system as well as the development of tools, templates, strategies, communications and engagement plans, best practices, and processes. We developed an increasingly strategic lens for stakeholder engagement and leveraging strategic outreach and horizontal discussions on key issues.

Image features Amélie Charron, Manager, Private Pension Plans.

Implementing our expanded mandate

In Budget 2023, the Government of Canada introduced legislative amendments to expand our mandate, requiring OSFI to supervise institutions to determine whether they have adequate policies and procedures to protect themselves against threats to their integrity and security, including foreign interference. This expansion affirms that the financial system is vulnerable and can benefit from interventions. We moved swiftly to implement the mandate, including establishing the Emerging Risk Operations Directorate and the National Security Sector (NSS).

Since its formation in November 2023, the NSS has made substantial strides implementing the necessary foundational vision, authorities, technology, staff, and infrastructure to become fully operational. This also includes establishing relationships with non-traditional OSFI stakeholders and key intelligence organizations including the Communications Security Establishment and Public Safety Canada, and evolving our relationships with the Canadian Security Intelligence Service and the Financial Transactions and Reports Analysis Centre of Canada.

Integrity and Security guideline

To set expectations for integrity and security and highlight related expectations in existing guidelines, we issued a draft Integrity and Security guideline for public consultation. With the feedback provided, we published the final guideline in January 2024. The guideline sets out expectations for integrity and security policies and procedures to all institutions[3], including foreign bank branches and foreign insurance company branches[4].

[3] Applies to the extent it is consistent with applicable requirements and legal obligations related to their business in Canada.

[4] Foreign bank branches refers to foreign banks authorized to conduct business in Canada on a branch basis under Part XII.1 of the *Bank Act*. Foreign insurance company branches refers to foreign entities that are authorized to insure in Canada risks on a branch basis under Part XIII of the *Insurance Companies Act*.

Modernized data and analytics

Our data platform enables analytical research and insight-generation while at the same time eliminating most ad hoc data requests to regulated institutions. Advancing data and analytics ensures efficiency and efficacy in our work through technological modernization and strategies. Notable accomplishments for 2023-24 follow.

Data Collection Modernization

We continued our work alongside our partners at the Bank of Canada and the Canada Deposit Insurance Corporation on the Data Collection Modernization (DCM) initiative with the goal of replacing our data collection technology and enhancing our regulatory data assets. In particular, we:

- ✓ circulated the DCM launch letter to institutions and pension plans, received feedback from industry, and held conversations with associations
- ✓ held the first DCM industry webinar, with 525 attendees from institutions, pension plans, associations, and vendors
- ✓ initiated the multi-step procurement process to acquire the optimal vendor software to replace the current Regulatory Reporting System platform
- ✓ completed the current state data assessment to modernize regulatory data collection through opportunities in improved data quality and increased data collection
- ✓ rolled out data assessment work to all relevant Financial Information Committee business units and data subject matter experts, targeting completion and recommendations by spring 2024

As we approach the technology implementation phase for DCM, we will conduct a data assessment to better understand long-term data enhancements and opportunities for rationalization, enabling us to develop a holistic understanding and facilitate effective planning for both the short and long term.

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Image features Stevan Manokaran, Principal Analyst, Climate Risk Division.

Vision 2030

In 2023-24, we built towards our "Vision 2030" Data Strategy, a medium-to-long-term foundation for transforming the use of data and analytics. Our data management, data governance, data engineering, and advanced analytical capabilities were improved with new cloud technologies, enhanced governance processes and use cases.

Highlights of this work included:

- ✓ Conducting research and internal consultation to develop the Vision 2030 strategy
- ✓ Establishing a three-year work plan and high-level roadmap to 2030 for implementation
- ✓ Embedding advanced data and analytics tools such as OpenAI in the new Technology Exploration Space release

Data literacy strategy

We made extensive progress developing our data literacy strategy, which will be launched in 2024-25. Our goals include building a strong foundational and advanced understanding of data literacy, and supporting the wide range of skills and experience of users across our organization. To this end, we provided tools and resources to assist employees in identifying relevant data literacy competencies, and identified four key objectives aimed at leveraging data effectively across our organization. These objectives aim to:

- ✓ introduce the Data Literacy Competency Model
- ✓ establish a baseline on data literacy through Foundational Data Literacy Training
- ✓ incorporate the Data Literacy Competency Model into our human resource processes
- ✓ continue to build data literacy at OSFI

Sound risk management

As part of our transformation journey, we have developed our capabilities to assess and respond to our risk environment. Our effective risk management approach recognizes the interconnectivity of regulatory, supervisory, and operational commitments.

Risk analysis and reporting

We continued to develop our risk analysis and reporting capabilities and offered strategic insights to support decision-makers. Key achievements include the following:

- ✓ We developed PowerApps to share visual data depictions of risk on dashboards, risk prioritization, research, and analytics enterprise-wide, which covered DSB vulnerability and risk indicators, external risks, corporate and commercial credit, structured finance, combined loan plan – home equity line of credit analysis, and credit bureau analytics
- ✓ We streamlined the collection of data processes for both external and internal sources of information
- ✓ We developed and implemented a geopolitical risk stress test for four internationally active insurance groups and six systematically important banks
- ✓ We designed and executed an artificial intelligence and quantum computing questionnaire in partnership with the Financial Consumer Agency of Canada to understand how the use of advanced tools has evolved in the financial services industry

On March 26 and 27, 2024, we hosted the first International Financial Regulators Chief Risk Officer Roundtable in Toronto. The roundtable provided a forum for financial regulators to exchange insights and best practices related to managing internal risks they face that could impact the achievement of their mandates. This inaugural in-person event marked an important step in fostering collaboration and knowledge exchange within the global financial regulatory community.

See image featuring Peter Routledge and staff on the next page.

Stress testing

Stress testing is achieved through a comprehensive examination of actions that banks would take under severe but plausible scenarios. These exercises provide important insights about systemic risks and inform policy actions and supervisory focus. In 2023-24, we completed an independent validation of the (internal) Risk Scenario Assessment Tool and implemented key enhancements identified in the validation report. We also conducted the 2023 macro stress test with 11 large and medium size banks using a severe stagflation scenario.

Enterprise risk management

In 2023-24, we articulated our enterprise risk management (ERM) vision, mandate, and risk appetite statement, which are the foundation for our decision making, operations, and infrastructure. We also made progress on an ERM framework and policy and a risk culture framework while working with stakeholders to strengthen our risk awareness and culture. We developed our ERM monitoring and testing approach, which sets out how we monitor risks and test the effectiveness of internal controls, along with raising risk awareness across the organization through training and information sharing. We also established committees and roundtables – both internally and externally – to exchange knowledge around ERM practices.

Superintendent Peter Routledge (centre) alongside financial regulators and OSFI staff, March 2024 roundtable.

OCA

The OCA works as an independent actuarial centre, preparing actuarial studies and reports and providing actuarial advice that enables sound decision making. The OCA prepared several actuarial reports tabled before Parliament by the President of the Treasury Board.

The OCA released the triennial Actuarial Report on the CPP as at 31 December 2021, which involved the projection of demographic and economic trends based on CPP revenues and expenditures over a 75-year period. The OCA commissioned an independent peer review of the CPP 31 report, the ninth review of this kind, and results were released early in fiscal year 2023-24. The independent panel's findings confirm that the work performed by the OCA on the report meets professional standards of practice and statutory requirements and that the assumptions and methods used are reasonable. The panel also found that the report fairly communicates the results of the work performed by the Chief Actuary and her staff.

The OCA also prepared the Actuarial Report on the Canada Student Financial Assistance Program. This report provides actuarial information to decision makers, parliamentarians, and the public. In addition, the OCA submitted various actuarial reports for the purpose of Public Accounts of Canada, presenting the obligations and costs, as at March 31, 2023, associated with federal public sector pension and benefit plans including future benefits to veterans. Actuarial reports that support Public Accounts of Canada are critical input for formulating the position of Public Accounts, and they provide assurance to the accountability mechanisms of government.

As part of its ongoing research, the OCA conducted an actuarial study in 2023-24 on climate change and how it may affect the plans and programs under the OCA's responsibility. The results will be published in 2024-25. In addition, the OCA staff collaborated in a joint study conducted by the International Actuarial Association and the International Social Security Association on actuarial considerations around climate-related risks on social security. The study will be published later in 2024.

Along with publishing actuarial reports and studies, the OCA assisted federal government departments with actuarial advice including:

- Department of Finance
- Department of Justice
- Department of National Defence
- Employment and Social Development Canada
- Public Services and Procurement Canada
- Royal Canadian Mounted Police
- Treasury Board Secretariat
- Veterans Affairs Canada

In addition, during fiscal year 2023-2024, the OCA supported ad-hoc requests for Immigration, Refugees and Citizenship Canada and Health Canada.

Image features Jackie Ruan, Actuary, Social Insurance Programs .

Enabling internal services

Our ability to achieve our core mandate and maintain operational resilience relies on a wide range of enabling functions, activities, and operations. Considerable accomplishments in 2023-24 are summarized below.

Human capital strategy

Throughout 2023-24, we analyzed our environment to inform our 2024-27 Human Capital Strategy (HCS). We undertook several consultations to gather more insight into emerging themes, gaps, and risks, which lead to our five key areas of focus in the HCS, their desired outcomes, and the actions required to achieve them. The strategy reflects what we are doing to support our people and propel our culture journey forward, building on the important work completed through the first HCS and our supporting human resources strategies.

One area of focus in our HCS is to modernize our human capital management system, which is the digital application that underpins the management of our human resources. Doing this will allow us to gain efficiency for human resources business processes, improve the user experience for employees and managers, and deliver modern data and analytics capabilities, enabling better planning and decision-making. The human capital management system is expected to launch in 2025-26.

Image features Jason Haiart, Manager, Privacy.

Official languages strategy

To foster a bilingual culture within OSFI, we launched our Official Languages (OL) strategy in February 2024 with a two-year OL Action Plan. This led to a series of office-wide activities, training, and enhanced resources to offer more support for employees to improve their language skills. Notable examples include OSFI's OL Week, Journée de la Francophonie, Rendez-vous de la Francophonie, the creation of an OL Hub with a repository of OL-related tools and resources to better support employee learning, and the launch of a new language exchange program to help employees improve their OL language skills.

Diversity, equity, and inclusion

To foster a diverse, equitable, and inclusive workplace, we advanced multiple Diversity, Equity and Inclusion (DEI) Action Plan items this year, which meets legislative requirements and, more importantly, reduces equity barriers for employees in meaningful ways. Notable highlights include:

- ✓ advanced on 14 of 16 recommended actions (short- and medium-term initiatives) on our Accessibility Plan and we also published our Annual Progress Report
- ✓ reviewed our employment systems, policies, and practices and engaged in consultations with employees to identify barriers and develop recommendations to foster inclusivity
- ✓ established a Pay Equity Committee that developed an OSFI-specific job evaluation tool that establishes and evaluates job classes and gender predominance
- ✓ launched a sponsorship program for employment equity-designated groups, with the first cohort ending in February 2024

We have an Inclusion Network (IN) that brings together staff interested in promoting workplace inclusion and nurturing diversity of thought. The IN provides our organization with suggestions on issues that impact equity and equity-seeking groups. Various streams hosted regular events that were open to all employees regardless of membership in the network. In addition, the IN hosted activities for important and commemorative dates.

We also ran our first cohort of SponsorMe and MentorMe, two programs aimed at the development of employees, with 18 sponsor/protégé relationships created in the SponsorMe program. While MentorMe was made available to all employees, SponsorMe was created to support a limited number of candidates from employment equity designated groups and equity-seeking groups. As part of this program, which is modelled after the Government of Canada Mentorship Plus initiative, senior leaders actively advocated on behalf of their protégé and were involved in their career development.

Culture change

Building on our past culture change activities, we established a culture change action plan and vision that articulate our critical success factors of grit, urgency, and integrity. Additionally, to strengthen our capacity to prepare for and respond to organizational change in an increasingly dynamic environment, we also developed an Enterprise Change Management Framework.

Image features Patricia Alves, Audit Support Officer, Internal Audit.

Closing out our transformation journey

In December 2021, we announced our plans to launch a bold transformation journey, enabling us to respond to the evolving risk environment and position OSFI to thrive in uncertainty. Over the course of the last two years, we have made valuable progress and realized much of our transformation aspirations across six strategic initiatives:

1. Culture and enablers
2. Risk, strategy, and governance
3. Policy innovation
4. Strategic stakeholder and partner engagement
5. Supervision renewal
6. Data management and analytics

Given the success achieved in implementing these initiatives, coupled with the continuously evolving external environment, our transformation priorities were closed out as of March 31, 2024, so that we could focus on delivering on new strategic priorities. We will continue to build on the successes of our transformation initiatives as part of our everyday efforts and our goal of relentless improvement.

Key accomplishments of our transformation journey

Through our journey, we launched many projects across six strategic initiatives, transforming our organization and operating model to strengthen our ability to deliver on our mandate. By the end of 2023-24, most projects were nearing completion.

Key successes in our transformation journey

- ✓ Undertook a comprehensive update of the Supervisory Framework, which came into force on April 1, 2024, ensuring that it remains relevant, fit for purpose, and responsive to changes in risks within the Canadian financial system
- ✓ Refined the policy innovation and regulatory response vision to align with the evolving risk landscape
- ✓ Redesigned and launched a new internal governance structure focused on risk management and decision-making, adopting a three lines model in enterprise risk management
- ✓ Developed the stakeholder affairs framework, which guides our strategic approach to stakeholder and partner engagement and developed and tested a stakeholder engagement tracking and reporting tool
- ✓ Continued to advance our data strategy and laid the foundation to support enterprise functions with improved data and analytics capabilities

OSFI's legislated reporting requirements

Our legislated reporting expectations are set out in the *Office of the Superintendent of Financial Institutions Act*, the *Bank Act*, the *Insurance Companies Act*, the *Trust and Loan Companies Act*, the *Cooperative Credit Associations Act*, the *Pension Benefits Standards Act, 1985* (PBSA, 1985) and the *Pooled Registered Pension Plans Act*.

Disclosure[5]

As part of our role in building confidence in the Canadian financial system, we promote active disclosure by publishing select financial information and providing institutions with advice guiding their own disclosures. To promote the disclosure of information of institutions, in March 2024 we published updates to the final Guideline B-15 on Climate Risk Management and Final Climate Risk Data return instructions. These instructions will ensure standardized climate-related data on emissions and exposures from institutions. The B-15 Guideline updates ensure that the expectations for institutions align with the International Sustainability Standards Board's final IFRS S2 Climate-related Disclosures standard and allow us to integrate climate-related risks into prudential supervision.

To support sound management practices, we also issued various standard policy instruments and guidelines in the following areas:

- **Culture and Behaviour Risk Guideline**: We issued a draft Culture and Behaviour Risk Guideline in February 2023, and undertook a public consultation process in 2023-24. Following the consultation period, we will assess comments and feedback before issuing a final guideline.
- **Intelligence-led Cyber Resilience Testing (I-CRT) Framework**: We issued our I-CRT Framework in April 2023 to help identify areas where the financial sector could be vulnerable to sophisticated cyber attacks. The I-CRT framework outlines a methodology and serves as an implementation guide for institutions conducting I-CRT assessments[6].
- **Guideline B-10 – Third-Party Risk Management** and **Guideline B-13 – Technology and Cyber Risk Management**: We issued the final Guideline B-10 in April 2023, setting out OSFI's expectations for managing risks associated with third-party arrangements. We made consequential amendments to Guideline B-13 and Guideline B-10 in February 2024, providing clarification on foreign branches.

[5] Under section 22(6) the Office of the Superintendent of Financial Institutions Act, the Superintendent must report the disclosure of information by institutions and describe the state of progress made in enhancing the disclosure of information in the financial services industry.

[6] Institutions are expected to conduct targeted cyber intelligence-led penetration-type testing across their technology assets and critical business functions to ensure they are resilient to cyber attacks.

- **Commercial real estate regulatory notice**: We issued a commercial real estate lending regulatory notice in September 2023 to reinforce and clarify risk management expectations.
- **Integrity and Security guideline**: We issued a draft Integrity and Security guideline in September 2023 that included a public consultation process, and issued the final guideline in January 2024. This guideline augments our regulatory scope beyond traditional prudential risk management, recognizing that integrity and security can be related to financial instability and merit consideration and intervention. The guideline aligns to our new Supervisory Framework, and calls on institutions to proactively identify, address, and respond to these risks to be more resilient.
- **Guideline E-21 - Operational Risk and Resilience**: We issued a draft revised Guideline E-21 in October 2023 and led a public consultation process (which closed February 2024). The draft revised Guideline E-21 aims to modernize our guidance on operational risk management and identifies new expectations for business continuity management, crisis management, change management, and data risk management. It also builds on consultations held in 2021 and supports Guideline B-13, Technology and Cyber Risk Management and Guideline B-10, Third-Party Risk Management.
- **Guideline B-20 - Residential Mortgage Underwriting Practices and Procedures**: We issued a targeted regulatory notice on RESL in March 2024, reinforcing risk management expectations and complementing our B-20 Guideline.

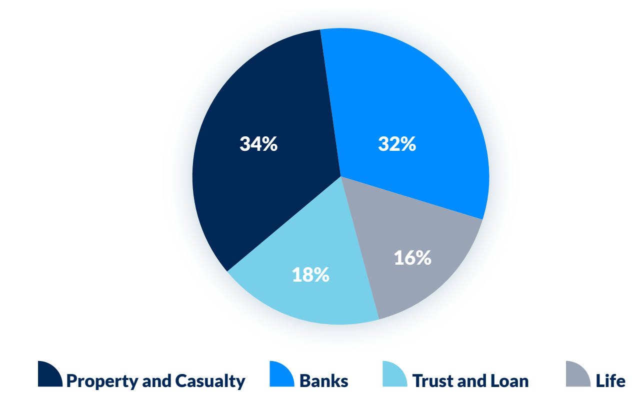
Approvals

The *Bank Act*, the *Trust and Loan Companies Act*, and the *Insurance Companies Act* require institutions to seek regulatory approval from the Superintendent or the Minister of Finance before engaging in certain transactions. Regulatory approval is also required by persons wishing to incorporate an institution, and by foreign banks or foreign insurers wishing to establish a presence or to make certain investments in Canada.

In 2023-24, we processed 112 applications of this nature: 108 were approved and four were withdrawn.

Within the applications, 231 approvals were granted. The Minister of Finance granted 80 approvals and the Superintendent granted 151 approvals.

Figure 1: Breakdown of approvals granted by industry



Pension Benefits Standards Act, 1985

40 (1) The Superintendent shall, after consultation with the Chief Actuary of the Office of the Superintendent of Financial Institutions and as soon as possible after the end of each fiscal year, submit to the Minister a report on (a) the operation of this Act during that year; and (b) the success of pension plans in meeting the funding requirements, determined in accordance with section 9, and the corrective measures taken or directed to be taken to deal with any pension plans that are not meeting the funding requirements.

Our supervision activities, such as monitoring minimum funding requirements under the PBSA, 1985, increase transparency and confidence in Canada's retirement income system and its sustainability. We intervene to protect pension plan members' benefits first by clearly communicating expectations directly with plan administrators and employers and then, if necessary, exercising our powers to enforce legislative requirements.

We develop guidance on risk management and mitigation, assess whether pension plans are meeting their funding requirements and managing risks effectively, and intervene promptly if we identify a need for corrective action. Administrators are ultimately responsible for sound and prudent management of their pension plans.

Image features Lee Gagné, Director, Application Services, IMIT.

Table 2: Comparison of the types of federally regulated private pension plans subject to *the Pension Benefits Standards Act, 1985* as at March 31, 2023 and as at March 31, 2024

Indicators	Type	As at March 31, 2023	As at March 31, 2024
Number of Plans	Defined Benefit[7]	240	239
	Combination[8]	117	115
	Defined Contribution[9]	823	830
	Total	1,180	1,184
Active Membership	Defined Benefit	161,800	166,200
	Combination	352,500	378,400
	Defined Contribution	168,100	180,700
	Total	682,400	725,300
Other beneficiaries	Defined Benefit	226,600	230,100
	Combination	310,800	314,500
	Defined Contribution	27,100	29,000
	Total	564,500	573,600
Assets ($ millions)	Defined Benefit	102,200	104,044
	Combination	124,900	130,456
	Defined Contribution	10,700	11,227
	Total	237,800	245,727

[7] A defined benefit plan provides members with a defined pension benefit when they retire. For more information, see the Pension Members' Guide 2016.

[8] A combination plan is a hybrid pension plan, with elements of both a defined contribution plan and a defined benefit plan. A defined contribution plan is one that provides a benefit based on the contributions made by the member and employer as well as the net investment performance of the fund.

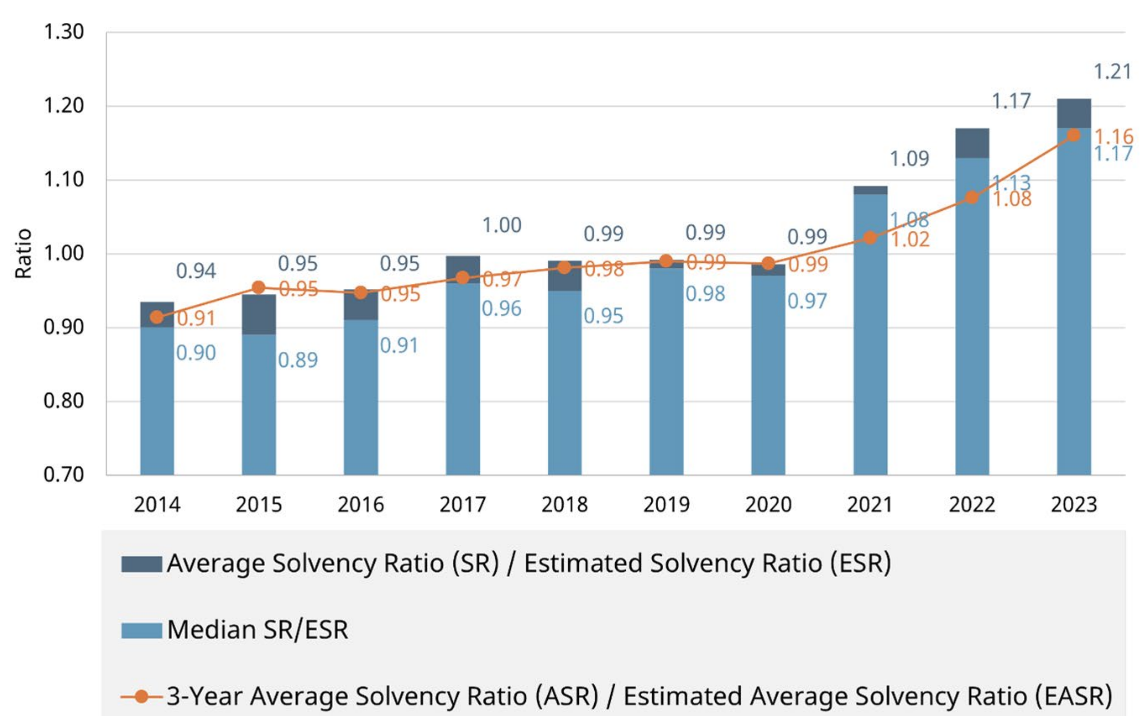
[9] In a defined contribution plan, the employer contributions and employee contributions (if any) are defined and the pension benefit is determined based on the amount of these accumulated contributions and the investment income they generate.

Interventions

In 2023-24, 252 pension plans failed to meet the minimum funding requirements under the PBSA, 1985, either because negotiated contributions were insufficient or required contributions were outstanding for over 30 days. We issued letters to employers who failed to pay contributions on time, notifying them of their obligation to remit required contributions. For six of these pension plans, despite our efforts, required contributions remained outstanding for an extended period. We intervened in these cases by either issuing a notice of intent to issue a direction of compliance or by issuing a direction of compliance. Following these interventions, one pension plan remitted all outstanding contributions, with interest, and we continue to work with the other five pension plans to ensure minimum funding requirements are met.

The median solvency ratio of pension plans increased to 1.17 at the end of 2023, up from 1.13 at the end of 2022. Figure 2 below shows the evolution of the solvency position since 2014. As of December 31, 2023, 89% of pension plans with defined benefit provisions were fully funded. The percentage of underfunded plans decreased (11% in 2023 versus 17% in 2022). All underfunded pension plans are designated plans, the funding of which is limited by the *Income Tax Regulations*.

Figure 2: Solvency position of pension plans as at December 31



Actuarial reports

In 2023-24, 245 actuarial reports were filed with OSFI. In-depth reviews of selected reports raised questions on certain actuarial assumptions and enabled enforcement of compliance with legislation and guidance. We communicate issues revealed during in-depth reviews to pension plan actuaries, particularly when these concerns have an impact on current and future funding requirements. As a result of our interventions, some pension plans amended and re-submitted their actuarial reports.

Examinations

During 2023-24, we conducted five standard desk reviews and a thematic review on investment risk management for seven pension plans. Findings and recommendations relate to governance documents and self-assessment, performance monitoring of service providers, compliance with the statement of investment policies and procedures, and risk management.

Pension plan approvals and guidance

Pension plans are required to obtain the approval of the Superintendent for various types of transactions, including registrations, terminations, asset transfers, surplus refunds, and accrued benefits reductions. In the fiscal year 2023-24, we:

- ✓ registered 11 new pension plans, nine of which were defined contribution plans
- ✓ approved 13 plan termination reports
- ✓ authorized four defined benefit asset transfer requests

In total, 31 pension plan transactions were submitted for approval in 2023-24, compared to 40 in the previous fiscal year. We processed 33 applications and successfully met our service standard for pension plan approvals.

Pooled Registered Pension Plans Act

> 78 The Superintendent must, as soon as feasible after the end of each fiscal year, submit to the Minister a report on the operation of this Act during that year, and the Minister must cause the report to be laid before each House of Parliament on any of the first 15 days on which that House is sitting after the day the Minister receives it.

Under the *Pooled Registered Pension Plans Act*, the Superintendent is responsible for licensing pooled registered pension plans (pooled plans) administrators, registering pooled plans, and conducting ongoing supervision of pooled plans. At the end of 2023, there were five pooled plans, covering 17 employers and 187 members. The total value of investments was $1.5 million.

Guidance and newsletters

During the fiscal year 2023-24 reporting period, we published guidance documents for pension plans, which among other instructions, encompassed the following areas.

- ✓ We released two editions of our newsletter called InfoPensions in May and November 2023. These newsletters served as a valuable communication tool, providing important announcements, reminders, and descriptions of how we apply pension legislation and its guidance.
- ✓ We published the revised Instruction Guide for the Preparation of Actuarial Reports for Defined Benefit Pension Plans. This guide reflects our updated expectations regarding the maximum going concern discount rate and updated references to the 2020 Agreement Respecting Multi-Jurisdictional Pension Plans, OSFI instruction guides and Canadian Institute of Actuaries educational notes regarding pension plans.
- ✓ We published the Instruction Guide for Asset Transfers related to Defined Contribution Provisions of Pension Plans. This guidance informs the pension industry of our expectations on certain asset transfers and filing requirements.
- ✓ We published a draft Advisory for Technology and Cyber Security Incident Reporting for consultation, describing our expectations for reporting technology and cyber security incidents that affect FRPPs.

Looking forward to 2024-2025 and beyond

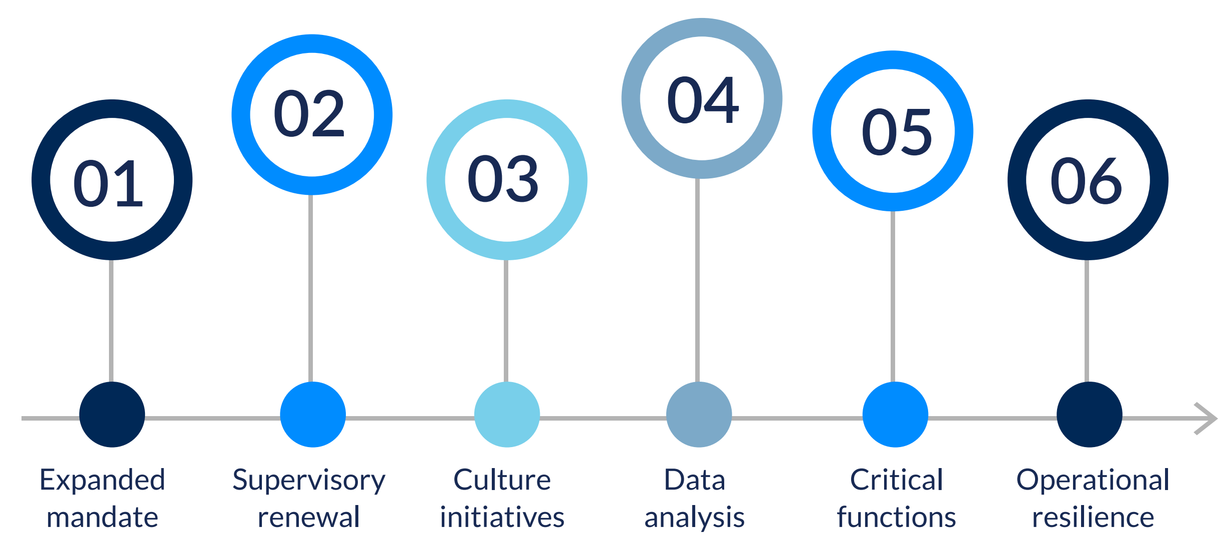
As we reflect on fiscal year 2023-24, there are many accomplishments to celebrate. We successfully transformed our organization by developing agile functions and capabilities while strengthening our culture and ability to thrive in uncertainty. These efforts have enabled us to pivot effectively in response to Parliament's changes to our mandate to ensure that institutions establish policies and procedures to safeguard themselves against threats to their integrity and security, including foreign interference.

While our 2022-25 Blueprint and Strategic Plan was fulfilled a year earlier than expected, change is a constant at OSFI. Our organization has evolved over the past few years in so many ways – in capacity, mandate, and strategic priorities, supporting the need for a new forward-looking plan.

Our new 2024-27 Strategic Plan came into effect on April 1, 2024, outlining a new set of six priorities to guide us over the next three years. Some of these priorities build on transformed functions, while others represent new areas of focus. We will continue to supervise and regulate institutions and pension plans by focusing on sound risk management, thereby supporting the stability and safety of the financial system and contributing to public confidence in the Canadian financial system.

Key priorities for 2024-25 and beyond

Our 2024-27 Strategic Plan has six new strategic priorities and targeted outcomes as described below, towards which we will strive over the next three years.



1. Expanded mandate – Integrity and security regime

Outcome: our supervisory and regulatory framework will help ensure institutions address risks to their integrity and security.

2. Supervisory renewal

Outcome: we have the capacity and capability to provide effective supervisory actions and timely intervention that are supported by a mature, risk-based supervisory framework.

3. Culture initiatives

Outcome: our employees thrive in an ever-changing and uncertain environment and embrace our critical success factors of grit, integrity, and urgency in all aspects of their daily work.

4. Data management and analytics

Outcome: we maintain leading-edge data management, collection, and analytical capabilities and systems.

5. Critical functions

Outcome: we respond to uncertainty and emerging risks to ensure institutions are in sound financial condition. We also determine if pension plans are meeting minimum funding and other requirements under the legislation, and help to ensure that social security programs and insurance arrangements remain sustainable for Canadians.

6. Operational resilience

Outcome: we're able to deliver critical functions despite adversity and uncertainties and remain agile in our response to current and emerging threats and opportunities.

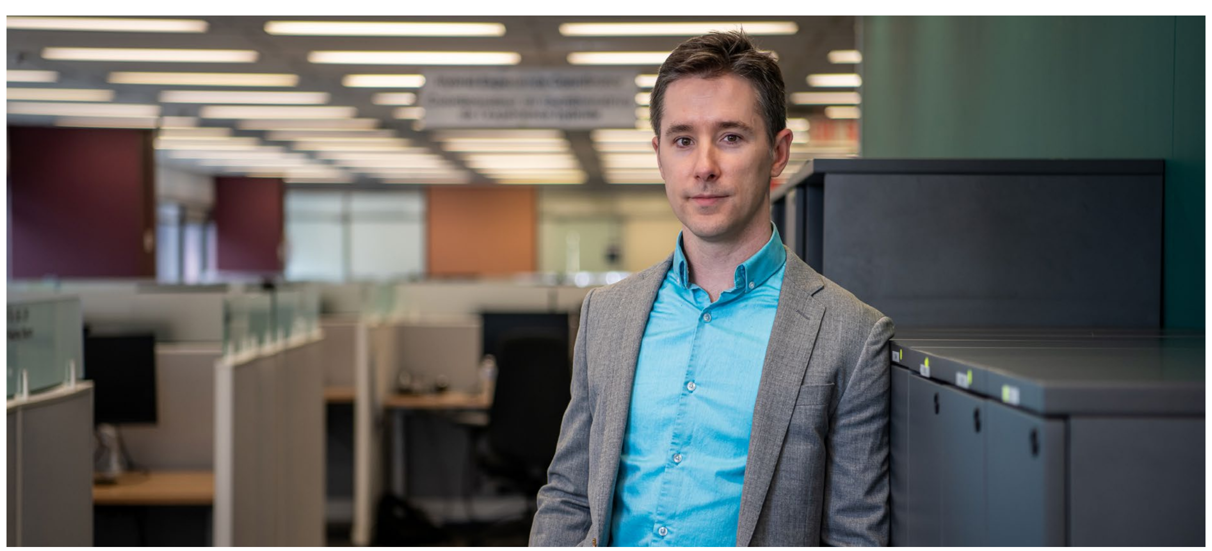


Image features Jesse Collingwood, Senior Analyst, Risk & Data Analytics

2023-24 Financial overview

Financial review and highlights

We are funded mainly through assessments on the institutions and pension plans that we regulate and a user-pay program for legislative approvals and other select services.

The amount charged to individual institutions is set out in regulations for our main activities:

- risk assessment and intervention (supervision)
- approvals and precedents
- regulation and guidance

In general, our system is designed to allocate costs based on the approximate amount of time spent supervising and regulating each industry. Costs are then assessed to individual institutions within an industry based on the applicable formula for the industry and the size of the institution. Staged institutions[10] are assessed a surcharge on their base assessment, approximating the extra supervision resources required.

In addition to our annual financial statements, we publish quarterly financial statements.

We also receive revenues for cost-recovered services. These include revenues from federal Crown corporations such as the Canada Mortgage and Housing Corporation, which OSFI supervises under the *National Housing Act*, provinces for which we provide supervision of their institutions on contract, and revenues from other federal organizations to which we provide administrative services.

We collect administrative monetary penalties from financial institutions when they contravene a provision of a financial institutions act and are charged in accordance with the *Administrative Monetary Penalties (OSFI) Regulations*. These penalties are collected and remitted to the Consolidated Revenue Fund. By regulation, we cannot use these funds to reduce the overall assessment costs for the industries we regulate.

The OCA provides a range of actuarial valuation and advisory services, under the *Canada Pension Plan Act* and the *Public Pensions Reporting Act* to the CPP and some federal government entities, including the provision of advice in the form of reports tabled in Parliament. These services are funded by fees charged to either the underlying pension plan or the federal government entity to which advisory services are provided, and by a parliamentary appropriation.

[10] If concerns arise about the financial position or operations of an institution, OSFI can assign the institution a staged rating, as part of its intervention process.

Significant activities for 2023-24

During 2023-24, we continued to implement the transformational changes outlined in our Blueprint for OSFI's Transformation 2022-25. The Blueprint articulated the direction for a transformation of OSFI that takes into account a rapidly changing risk environment and is aimed to ensure that we continue to contribute to confidence in Canada's financial system.

We also continued to implement the 2022-25 Strategic Plan that built upon the vision of the Blueprint and established our goals and priorities for the 2022-25 period. It presented six priority initiatives:

- Culture
- Risk Strategy and Governance
- Strategic Stakeholder and Partner Engagement
- Policy Innovation
- Supervisory Framework
- Data Management and Analytics

The implementation of these plans led to the growth in both personnel and spending seen during 2023-24.

In addition to these initiatives, on June 22, 2023, Parliament passed Bill C-47, the *Budget Implementation Act* (BIA), which expanded our mandate. These changes complement our existing purpose which is to contribute to public confidence in the Canadian financial system.

The OSFI-related amendments in the BIA add to the suite of compliance and intervention tools available to the Superintendent and the Minister of Finance. These changes will enhance the strong oversight of institutions that underpins a sound and stable Canadian financial system.

Starting January 1, 2024, institutions are required to have and adhere to adequate policies and procedures to protect themselves from threats to their integrity and security, including foreign interference. We will examine each institution's policies and procedures to determine if they are adequate and will annually report on these examinations to the Minister of Finance.

Our financial statements for the 2023-24 fiscal year can be found in Annex A.

Our total costs were $311.7 million, a $68.9 million or 28.4% increase from the previous year. Personnel costs, OSFI's largest expense, rose by $59.3 million, or 31.4%. This variance reflects an increase in the number of full-time equivalent employees in accordance with the new strategic plan, expanded mandate, and normal economic and merit increases. Professional services costs increased by $6.3 million or 26.4% as OSFI implemented the initiatives outlined in the Blueprint and Strategic plan. Rental costs increased by $1.7 million or 10.7% because of increased software licensing fees related to full-time equivalent (FTE) growth. Information

costs increased by $1.1 million or 49.5% because of increased data access charges to support OSFI's increased risk monitoring activities. All other costs, in total, remained stable.

OSFI's FTE count in 2023-24 was 1,315, a 28.4% increase from the previous year.

Institutions

Revenues

Total revenues from institutions were $287.3 million, an increase of $64.5 million or 29.0% from the previous year. Base assessments on institutions, which are recorded at an amount necessary to balance revenue and expenses after all other sources of revenue are considered, increased by $63.4 million or 28.7% from the previous year.

Revenue from user fees and charges increased by $0.6 million or 81.6% because of an increase in the number of surcharge assessments for staged institutions.

Revenue from cost-recovered services increased by $0.5 million or 42.0% because of an increase in the amount of work done for federal crown corporations.

Costs

Total costs attributed to institutions were $287.3 million, an increase of $64.5 million or 29.0% from the previous year. The increase is primarily due to higher costs in the following categories: personnel ($56.8 million), professional services ($5.6 million), information ($1.2 million), and rentals ($1.7 million), as explained above.

Pension Plans

Assessments

Our costs to regulate and supervise private pension plans are recovered from an annual assessment charged to plans based on the number of beneficiaries. Plans are assessed upon applying for registration under the PBSA, 1985 and annually thereafter.

The assessment rate is established based on our estimate of current year costs to supervise these private pension plans, adjusted for any accumulated excess or shortfall of assessments in the preceding years. The estimate is then divided by the anticipated number of assessable beneficiaries to arrive at a base fee rate. The rate established for 2023-24 was $11.00 per assessable beneficiary, up from $10.00 the previous year. Total fees assessed during the fiscal year were $8.0 million ($7.2 million in 2022-23) whereas total fees recognized as revenue in 2023-24 were $7.6 million (up from $5.6 million in 2022-23). The difference between revenue recognized and fees assessed gives rise to unearned assessments, as discussed below.

The excess or shortfall of assessments in any particular year is amortized over five years in accordance with the assessment formula set out in regulations whereby the annual shortfall or excess is recovered or returned to the private pension plans over a period of five years commencing one year from the year in which they were established through an adjustment to the annual fee rate. The rate established and published in the Canada Gazette in September 2023 for 2024-2025 is set at $11.00 per assessable beneficiary, unchanged from 2023-2024. OSFI anticipates that the rate for 2024-25 will fully recover the estimated annual costs of this program; however, variations between actual and estimated costs or private pension plan beneficiaries in any particular year will cause an excess or shortfall of assessments.

Costs

The cost of administering the PBSA, 1985 for 2023-24 was $7.6 million, an increase of $1.9 million or 34.6% from the previous year. Costs were lower than normal in 2022-23 due to vacancies in the pension division caused by retirements and employee turnover. As those vacancies have been filled, costs are returning to expected levels.

Table 3: Assessments and Costs for Fiscal Years 2018-2019 to 2023-2024

($000, except Basic Fee Rate)

Fiscal year	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Assessments	5,612	6,295	7,131	7,093	7,223	8,015
Costs	6,664	6,646	7,175	7,351	5,613	7,556
Basic fee rate* per assessable beneficiary	8.00	9.00	10.00	10.00	10.00	11.00

* The minimum and maximum annual assessment per pension plan is derived by multiplying the annual assessment by 50 and 20,000 respectively. With an annual assessment of $11.00 per member, the minimum annual assessment is $550 and the maximum is $220,000.

Actuarial Valuation and Advisory Services

The OCA is funded by fees charged for actuarial valuation and advisory services and by an annual parliamentary appropriation. Total expenses in 2023-24 were $16.9 million, an increase of $2.5 million, or 17.1%, from the previous year due primarily to an increase in the number of full-time equivalent employees in accordance with the new strategic plan, normal economic and merit increases, and an increase in associated overhead costs.

Statement of Management Responsibility including Internal Control over Financial Reporting

Ottawa, Canada | July 4, 2024

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2024 and all information contained in these statements rests with the management of the Office of the Superintendent of Financial Institutions (OSFI). These financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of OSFI's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in OSFI's Departmental Results Report, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR)designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the Financial Administration Act and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through an organizational structure that provides appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout OSFI; and through conducting an annual assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

Under the responsibility of the Chief Financial Officer, a risk based assessment of the system of ICFR for the year ended March 31, 2024 was completed in accordance with the Treasury Board Policy on Financial Management and the results and action plans are summarized in the annex.

The effectiveness and adequacy of OSFI's system of internal control is reviewed by the internal audit staff, who conduct periodic risk based audits of different areas of OSFI's operations, and by OSFI's Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which reviews and provides advice to the Superintendent on the audited financial statements.

Deloitte LLP has audited the financial statements of OSFI and reports on their audit to the Minister of Finance. This report does not include an audit opinion on the annual assessment of the effectiveness of OSFI's internal controls over financial reporting.

Michael Hammond CPA, CGA,
Chief Financial Officer

Peter Routledge
Superintendent

Independent Auditor's Report

To the Superintendent of Financial Institutions and the Minister of Finance.

Opinion

We have audited the financial statements of the Office of the Superintendent of Financial Institutions ("OSFI"), which comprise the statement of financial position as at March 31, 2024, and the statements of operations, changes in net financial assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of OSFI as at March 31, 2024, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of OSFI in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for public sector, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing OSFI's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate OSFI or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing OSFI's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OSFI's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on OSFI's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause OSFI to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants

Licensed Public Accountants

July 4, 2024

Deloitte LLP 100 Queen Street Suite 1600
Ottawa ON K1P 5T8 Canada
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www.deloitte.ca

Office of the Superintendent of Financial Institutions

Statement of financial position

As at March 31, 2024 (in thousands of Canadian dollars)

	Note(s)	2024	2023
Financial assets			
Cash entitlement		**$ 72,958**	**$ 73,622**
Trade and other receivables, net	4, 5	**7,366**	**9,367**
Accrued base assessments	4	**16,901**	**-**
Total financial assets		**97,225**	**82,989**
Financial liabilities			
Accrued salaries and benefits	12	**59,268**	**42,636**
Trade and other payables	5, 12	**8,337**	**8,946**
Unearned base assessments	12	**-**	**2,085**
Unearned pension plan assessments	12	**2,644**	**2,185**
Deferred revenue		**415**	**244**
Employee benefits – severance	7	**4,563**	**4,418**
Employee benefits – sick leave	7	**13,464**	**12,805**
Total financial liabilities		**88,691**	**73,319**
Net financial assets		**8,534**	**9,670**
Non-financial assets			
Tangible capital assets	6	**14,601**	**13,728**
Prepaid expenses		**2,545**	**2,282**
Total non-financial assets		**17,146**	**16,010**
Accumulated surplus	13	**$ 25,680**	**$ 25,680**
Contingencies	11		

The accompanying notes form an integral part of these financial statements.

Michael Hammond CPA, CGA,
Chief Financial Officer

Peter Routledge
Superintendent

Office of the Superintendent of Financial Institutions

Statement of operations

For the year ended March 31, 2024 (in thousands of Canadian dollars)

	Note(s)	Budget 2023-24	2024	2023
Regulation and supervision of federally regulated financial institutions				
Revenue		$ 269,764	$ 287,258	$ 222,745
Expenses		269,764	287,258	222,745
Net results before administrative monetary penalties		-	-	-
Administrative monetary penalties revenue	9	50	68	5
Administrative monetary penalties revenue earned on behalf of the Government		(50)	(68)	(5)
Net results		-	-	-
Regulation and supervision of federally regulated private pension plans				
Revenue		7,534	7,556	5,613
Expenses		7,534	7,556	5,613
Net results		-	-	-
Actuarial valuation and advisory services				
Revenue		15,858	15,663	13,194
Expenses		17,102	16,907	14,438
Net results		(1,244)	(1,244)	(1,244)
Net results from operations before government funding		(1,244)	(1,244)	(1,224)
Government funding	5	1,244	1,244	1,244
Surplus from operations		- $	- $	- $

The accompanying notes form an integral part of these financial statements.

Office of the Superintendent of Financial Institutions

Statement of changes in net financial assets

For the year ended March 31, 2024 (in thousands of Canadian dollars)

	Note(s)	Budget 2023-24	2024	2023
Surplus from operations		- $	- $	- $
Tangible capital assets				
Acquisition of tangible capital assets	6	(26,607)	(4,278)	(2,445)
Amortization of tangible capital assets	6	5,281	3,405	3,810
		(21,326)	(873)	1,365
Non-financial assets				
Change in prepaid expenses		-	(263)	(534)
Increase (decrease) in net financial assets		(21,326)	(1,136)	831
Net financial assets, beginning of the year		9,670	9,670	8,839
Net financial assets, end of the year		$ (11,656)	$ 8,534	$ 9,670

The accompanying notes form an integral part of these financial statements.

Office of the Superintendent of Financial Institutions

Statement of cash flow

For the year ended March 31, 2024 (in thousands of Canadian dollars)

	Note(s)	2024	2023
Operating activities			
Cash receipts from financial institutions, pension plans and other government entities		$ 303,862	$ 250,032
Cash paid to suppliers and employees		(300,180)	(237,995)
Administrative monetary penalties revenue remitted to the consolidated revenue fund	9	(68)	(5)
Net cash provided by operating activities		3,614	12,032
Capital activities			
Acquisition of tangible capital assets	6	(4,278)	(2,445)
Net cash used in capital activities		(4,278)	(2,445)
Net increase (decrease) in cash entitlement		(664)	9,587
Cash entitlement, beginning of the year		73,622	64,035
Cash entitlement, end of the year		$ 72,958	$ 73,622

The accompanying notes form an integral part of these financial statements.

Office of the Superintendent of Financial Institutions

Notes to the financial statements

For the year ended March 31, 2024 (in thousands of Canadian dollars)

1. Authority and objectives

The Office of the Superintendent of Financial Institutions (OSFI) was established by the *Office of the Superintendent of Financial Institutions Act* (OSFI Act) in 1987. Pursuant to the *Financial Administration Act* (FAA), OSFI is a division of the Government of Canada for the purposes of that Act and is listed in schedule I.1 of the Act. The Government of Canada is OSFI's parent and the ultimate controlling party of OSFI.

OSFI's purpose is to contribute to public confidence in the Canadian financial system by regulating and supervising approximately 400 federally regulated financial institutions (FRFIs) and 1200 federally regulated pension plans (FRPPs).

OSFI's mandate is to:

- ensure FRFIs and FRPPs remain in sound financial condition
- ensure FRFIs protect themselves against threats to their integrity and security
- act early when issues arise and require FRFIs and FRPPs to take necessary corrective measures without delay
- monitor and evaluate risks and promote sound risk management by FRFIs and FRPPs

In exercising its mandate:

- for FRFIs, OSFI strives to protect the rights and interests of depositors and creditors while having due regard for the need to allow FRFIs to compete effectively and take reasonable risks
- for FRPPs, OSFI strives to protect the rights and interests of pension plan members, former members and entitled beneficiaries

Revenue and spending authority

Pursuant to Section 17 of the OSFI Act, the Minister of Finance may spend any revenues collected under Sections 23 and 23.1 of the OSFI Act to defray the expenses associated with the operation of OSFI. The Act also establishes a ceiling for expenses at $40,000 above the amount of revenue collected to be drawn from the Consolidated Revenue Fund of Canada (CRF).

OSFI's revenues comprise assessments, service charges and fees. The expenses against which assessments may be charged include those in connection with the administration of the *Bank Act*, the *Cooperative Credit Associations Act*, the *Green Shield Canada Act*, the *Insurance Companies Act*, the *Protection of Residential Mortgage or Hypothecary Insurance Act* and the *Trust and Loan Companies Act*. The formula for the calculation of assessments is included in regulations.

Subsections 23(1.1) and 23(5) of the OSFI Act provide that assessments may be charged for the administration of the *Pension Benefits Standards Act*, 1985 (PBSA, 1985) and the *Pooled Registered Pension Plans Act*. The assessments for the administration of pension plans subject to the PBSA are set annually in accordance with the *Assessment of Pension Plans Regulations*.

Section 23.1 of the OSFI Act provides that the Superintendent may assess against a person a prescribed charge (service charge) and applicable disbursements for any service provided by or on behalf of the Superintendent for the person's benefit or the benefit of a group of persons of which the person is a member. "Person" includes individuals, corporations, funds, unincorporated associations, Her Majesty in Right of Canada or of a province, and a foreign government. The service charges are detailed in the regulations.

The Office of the Chief Actuary provides a range of actuarial valuation and advisory services, under the *Canada Pension Plan Act* and the *Public Pensions Reporting Act* to the Canada Pension Plan (CPP), public pension plans and some federal government entities, including the provision of advice in the form of reports tabled in Parliament. The costs of providing these services are recovered through fees charged to either the underlying pension plans or the federal government entity to which advisory services are provided. Pursuant to Section 16 of the OSFI Act, Parliament has provided annual appropriations to fund the cost of certain actuarial valuations prepared by the Office of the Chief Actuary on behalf of the Government of Canada.

2. New and amended standards and disclosures

Public Private Partnerships, PS 3160

Effective April 1, 2023, OSFI adopted the new standard PS 3160, Public Private Partnerships, which requires recognition and disclosure of infrastructure assets and liabilities where public sector entities procure infrastructure using a private sector partner. The adoption of this amendment did not have a significant impact on OSFI's financial statements.

Purchased Intangibles, PSG-8

Effective April 1, 2023, OSFI adopted the new public sector guideline on purchased intangibles, which provides guidance on the recognition, accounting, and classification of purchased intangible assets. The adoption of this guideline did not have a significant impact on OSFI's financial statements.

Changes in accounting policies

Sick Leave

During the year, the methodology for the valuation of sick leave benefit liability was changed. The methodology changed from Projected Unit Credit Pro-Rated on Service to the Last-In-First-Out (LIFO) approach. This change primarily impacted the unamortized actuarial gain/loss that is disclosed in the Employee Benefits note 7(b)(i). This accounting policy change did not have a significant impact on OSFI's accrued sick leave liability and consequently the prior year comparative amounts have not been restated.

3. Significant accounting policies

The financial statements of OSFI have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board (PSAB). The accounting policies used in the financial statements are based on the PSAS applicable as at

March 31, 2024. The policies set out below are consistently applied to all periods presented. The significant accounting policies of OSFI are set out below:

a) Cash entitlement (Cash overdraft)

OSFI does not have its own bank account. The financial transactions of OSFI are processed through the CRF. Cash entitlement represents the maximum amount OSFI is entitled to withdraw from the CRF without further authority.

OSFI has a statutory revolving expenditure authority pursuant to Section 17(4) of the OSFI Act. This authority establishes a ceiling for expenses at $40,000 above the amount of revenue collected to be drawn from the CRF. Drawings on this facility are presented as cash overdraft.

No interest is earned or charged on these amounts.

b) Financial instruments

The classification of financial instruments at either fair value or amortized cost is determined by OSFI at initial recognition and depends on the purpose for which the financial assets were acquired, or liabilities were incurred. All financial instruments are recognized initially at fair value. The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

Classification	Accounting Treatment
Cash entitlement	Cash entitlement shall be measured at fair value. Gains and losses arising from changes in the fair value of a cash entitlement shall be recorded in Net results from operations before government funding in OSFI's *Statement of Operations*.
Trade and other receivables and Accrued base assessments	Trade and other receivables and Accrued base assessments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition at fair value, Trade and other receivables and Accrued base assessments are measured at amortized cost using the effective interest method, less impairment, if any. Any gain, loss or interest income is recorded in revenue or expenses depending on the nature of the receivables that gave rise to the gain, loss or income.
Financial liabilities	Accrued salaries and benefits, Trade and other payables excluding employer's contributions for employee benefit plans, Unearned base assessments, and Unearned pension plan assessments are measured at amortized cost using the effective interest method. Any gain, loss or interest expense is recorded in revenue or expenses depending on the nature of the financial liability that gave rise to the gain, loss or expense.

c) Impairment of financial assets

OSFI assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, OSFI first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If OSFI determines that there is objective evidence of impairment for an individual financial asset, it must be assessed for impairment either individually, or in a group of financial assets with similar credit risk characteristics. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The impairment assessment must be based on the best estimates available in light of past events, current conditions, and taking into account all circumstances known at the date of the preparation of the financial statements. If a future write-off is later recovered, the recovery is credited to the *Statement of Operations*.

d) Tangible capital assets

Tangible capital assets are stated at historical cost, net of accumulated amortization and/or accumulated impairment losses, if any. Historical cost includes the costs of replacing parts of property and equipment when incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in the *Statement of Operations* as incurred.

Amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Useful life
Leasehold improvements	Lesser of useful life or remaining term of the lease
Furniture and fixtures	7 years
Office equipment	4 years
Informatics hardware	3 to 5 years
Informatics software	5 to 10 years

Internally developed and externally purchased software are capitalized as tangible capital assets. Software acquired separately is measured on initial recognition at cost. The cost of internally developed software consists of directly attributable costs necessary to create, produce, and prepare the software to be capable of operating in the manner intended by OSFI. Amortization of the assets begins when development is complete and the assets are available for use. Costs incurred during the pre-development or post-implementation stages are expensed in the period incurred.

The assets' residual values, useful lives and methods of amortization are reviewed at each financial year end and adjusted prospectively, if appropriate.

e) Impairment of non-financial assets

OSFI assesses at each reporting date whether there are any internal indicators or objective evidence that an asset may be impaired (e.g., damaged assets or assets no longer being used). If any indication exists, or when annual impairment testing for an asset is required, OSFI estimates the asset's recoverable amount. When a non-financial asset no longer contributes to OSFI's ability to provide goods and services, or the value of future economic benefits associated with the non-financial asset is less than its net book value, the cost of the non-financial asset is reduced to reflect the decline in the asset's value. Any writedowns are reflected in the *Statement of Operations* in the period the decline is recognized.

OSFI assesses internally developed software not yet in use for impairment on an annual basis.

f) Employee benefits

Short-term benefits are recorded in the *Statement of Operations* when an employee has rendered the service. Unpaid short-term compensated leave that has vested at the reporting date is accrued at the reporting date and not discounted. OSFI contributes to the Government of Canada sponsored Public Service Health Care Plan and Dental Service Plan for employees. These contributions represent the total obligation of OSFI with respect to these plans.

Pension benefits

Substantially all of the employees of OSFI are covered by the Public Service Pension Plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and OSFI to cover current service cost. Pursuant to legislation currently in place, OSFI has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of OSFI.

Severance

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits. The severance benefits are based upon the final salary of the employee.

The projected accrued benefit obligation is determined using an accrued benefit method which incorporates management's best estimate of salary, retirement age and discount rate.

Other benefits

The Government of Canada sponsors a variety of other benefit plans from which former employees may benefit upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to OSFI retirees. These are defined benefit plans sponsored by the Government of Canada. Contributions are required by OSFI to cover current service costs. Pursuant to legislation currently in place, OSFI has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total obligation of OSFI with respect to these plans.

Sick leave

Employees are eligible to accumulate sick leave until retirement or termination. Unused sick leave is not eligible for payment on retirement or termination, nor can it be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments.

The cost of sick leave as well as the present value of the obligation are determined using an actuarial valuation.

g) Leases

Leases in which a significant portion of the risks and rewards of ownership related to the leased property are substantially retained by the lessor shall be accounted for as operating leases. OSFI records the costs associated with operating leases in the *Statement of Operations* in the period in which they are incurred. Any lease incentives received from the lessor are charged to the *Statement of Operations* on a straight-line basis over the period of the lease.

OSFI does not have borrowing authority and therefore cannot enter into lease agreements that are classified as leased tangible assets. OSFI has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to OSFI of substantially all the benefits and risks incidental to ownership.

h) Statement of Operations

The format of the *Statement of Operations* has been designed to show the revenues and expenses by each of OSFI's business lines. This format best represents the nature of the activities of OSFI.

Expenses have also been disclosed by nature in Note 8 of these financial statements.

i) Revenue recognition

OSFI recognizes revenue so as to recover its expenses. Any amounts that have been billed and for which costs have not been incurred are classified as unearned on the *Statement of Financial Position*. Revenue is recorded in the accounting period in which it is earned (service provided) whether or not it has been billed or collected. At the end of the period, amounts may have been collected in advance of the incurrence of costs or provision of services, or alternatively, amounts may not have been collected and are owed to OSFI.

Base assessments – Revenue from federally regulated financial institutions base assessments is recognized based on actual costs incurred as services are charged based on cost recovery and all costs are considered recoverable. Base assessments are typically billed annually based on an estimate of the current fiscal year's operating costs (an interim assessment) together with adjustments related to the final accounting of the previous year's assessment for actual costs incurred. Assessments are calculated prior to December 31 of each year, in accordance with Section 23(1) of the OSFI Act and the *Assessment of Financial Institutions Regulations*, 2017. Differences between billed estimates and actual costs incurred at the end of the period are recorded as accrued base assessments or unearned base assessments.

Pension plan assessments are earned from registered pension plans. Assessment rates are set annually by regulation based on budgeted expenses, pension plan membership and actual results from previous years. Pension plan assessments are charged in accordance with Section 23(1.1) and 23(5) of the OSFI Act. Revenue from pension plan assessments is recognized based on actual costs incurred as services are charged based on cost recovery and all costs are considered recoverable. Differences between the amounts billed to industry and actual costs incurred at the end of the period are recorded as accrued pension plan assessments or unearned pension plan assessments.

User fees and charges include revenue earned pursuant to the *Charges for Services Provided by the Office of the Superintendent of Financial Institutions Regulations, 2002* – as amended from time to time – in respect of legislative approvals and approvals for supervisory purposes, and surcharges assessed to federally regulated financial institutions assigned a "stage" rating other than "zero" pursuant to the Guide to Intervention for Federal Financial Institutions. Assessment surcharges are charged in accordance with the *Assessment of Financial Institutions Regulations, 2017*. Revenue from user fees is recognized at the completion of the service.

Administrative monetary penalties are penalties levied to financial institutions when they contravene a provision of a financial institutions Act and are charged in accordance with the *Administrative Monetary Penalties (OSFI) Regulations*. Penalties levied are not available to reduce the net costs that OSFI assesses the industry (i.e., they are non-respendable) and are remitted to the CRF when collected. OSFI assesses its Administrative monetary penalties revenue against specific criteria in order to determine if it is acting as principal or agent. OSFI has concluded that it is acting as a principal for Administrative monetary penalty revenue.

Cost-recovered services represent revenue earned from sources other than those listed above. These services are provided in accordance with the terms and conditions agreed to by the transacting parties. Revenue from costrecovered services is recognized based on actual costs incurred, and all costs are considered recoverable. Revenue and the matching expenses from cost-recovered services not specifically related to the Regulation and supervision of federally regulated pension plans or Actuarial valuation and advisory services are grouped with the Regulation and supervision of federally regulated financial institutions on the *Statement of Operations*. This includes costs recovered from other government entities such as the Canada Mortgage and Housing Corporation for OSFI's supervisory oversight in accordance with the *National Housing Act*.

j) Government funding

Government funding, including parliamentary appropriations, is recognized in the period that the appropriation was authorized, and any eligibility criteria met. Parliamentary appropriations for operating purposes are considered to be without stipulations restricting their use and are recognized as revenue when the appropriations are authorized.

k) Contingent liabilities

Contingent liabilities are potential liabilities, which may become liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

l) Budget figures

The 2023-2024 budget is reflected in the *Statement of Operations* and the *Statement of Changes in Net Financial Assets* as approved by OSFI's Executive Committee.

m) Significant judgments, estimates and assumptions

The preparation of OSFI's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability, in which case the impact will be recognized in the financial statements of a future fiscal period.

In the process of applying its accounting policies, management has made certain judgments. The following specific judgments have the most significant effect on the amounts recognized in the financial statements:

- Recognition of internally developed software;
- Lease classification;
- Estimated useful lives of tangible capital assets;
- Actuarial assumptions used to value sick leave and severance obligations;
- Likelihood of occurrence for contingent liabilities;
- Estimates for the allowance for doubtful accounts; and,
- Estimates related to accrued salary increases.

4. Trade and other receivables

The breakdown of all amounts owing to OSFI, by type, is as follows:

	Federally regulated financial institutions	Federally regulated private pension plans	Actuarial valuation and advisory services	Other	Total March 31, 2024
Trade receivables	$ 1,758	$ 2,568	- $	$ 2,546	$ 6,872
User fees and charges	1,155	-	-	-	1,155
Cost-recovered services and other	-	-	-	1,323	1,323
Trade and other receivables, gross	2,913	2,568	-	3,869	9,350
Allowance for doubtful accounts	(119)	(1,865)	-	-	(1,984)
Trade and other receivables, net	2,794	703	-	3,869	7,366
Accrued base assessments	16,901	-	-	-	16,901
Total	$ 19,695	$ 703	$ -	$ 3,869	$ 24,267
% of Total exposure	81.2 %	2.9 %	- %	15.9 %	100.0 %

	Federally regulated financial institutions	Federally regulated private pension plans	Actuarial valuation and advisory services	Other	Total March 31, 2023
Trade receivables	$ 7,312	$ 1,680	- $	$ 228	$ 9,220
User fees and charges	328	-	-	-	328
Cost-recovered services and other	-	-	-	1,423	1,423
Trade and other receivables, gross	7,640	1,680	-	1,651	10,971
Allowance for doubtful accounts	(118)	(1,486)	-	-	(1,604)
Trade and other receivables, net	7,522	194	-	1,651	9,367
Total	$ 7,522	$ 194	$ -	$ 1,651	$ 9,367
% of Total exposure	80.3 %	2.1 %	- %	17.6 %	100.0 %

The majority of OSFI's revenue is comprised of assessments, which are typically invoiced once a year, usually in the second quarter. As a result, trade receivable balances will vary significantly during the year and may also vary from year to year depending on the timing of the invoicing.

OSFI records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. An allowance for doubtful accounts is also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off. Impairment losses on trade and other receivables recognized during the year ended March 31, 2024 were $665 (Year ended March 31, 2023 - $664). Recoveries during the same period totaled $285 (Year ended March 31, 2023 - $268).

A receivable will be considered to be impaired and written off when OSFI is certain that collection will not occur and all requirements of the OSFI Act or the *Debt Write-Off Regulations, 1994* have been met. No amounts were written off during the year ended March 31, 2024 (Year ended March 31, 2023 - $ Nil). During the period, no interest was earned on impaired assets and none of the past due amounts were renegotiated. Those that are neither past due nor provided for or impaired are considered to be fully collectible.

The aging of trade receivables was as follows:

Days outstanding	Current	31-60	61-90	91-120	>120	Total
March 31, 2022	$ 2,812	$ 2	$ 3	$ 53	$ 4,002	6,872
March 31, 2022	$ 453	$ 41	$ 1,195	$ 24	$ 7,507	$ 9,220

Refer to Note 12 b) for further information on credit risk applicable to OSFI.

5. Related party transactions

OSFI is related, in terms of common ownership, to all Government of Canada departments, agencies and crown corporations. OSFI enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ended March 31, 2024, OSFI purchased goods and services for $73,729 (2023 - $55,557) and earned revenue of $17,899 (2023 - $14,961) from transactions with other government entities. Although most transactions or groups of similar transactions are not individually significant, OSFI did have the following individually significant transactions:

Entity	Nature	2024 Expenditure	2024 Payable	2023 Expenditure	2023 Payable
Treasury Board Secretariat	Pension contributions, other employee benefits and other services	$ 49,355	$ 4,252	$ 36,526	$ 3,600
Public Services Procurement Canada	Rent and other services	$ 15,506	$ 1,879	$ 13,845	$ 1,636

Entity	Nature	2024 Revenue	2024 Receivable/ (Payable)	2023 Revenue	2023 Receivable/ (Payable)
Employment and Social Development Canada	Actuarial valuation and advisory services	$ 7,921	$ (128)	$ 6,615	(10)

As at March 31, 2024, the amount of trade and other receivables and trade and other payables from related parties was $2,105 (March 31, 2023 - $937) and $6,617 (March 31, 2023 - $5,594), respectively.

OSFI receives an annual parliamentary appropriation pursuant to Section 16 of the OSFI Act to support its mandate relating to the OCA. During the year ended March 31, 2024, OSFI was granted $1,244 (2023 - $1,244) which was recognized into net results and shown on the *Statement of Operations*. There are no unfulfilled conditions or stipulations attached to this appropriation.

6. Tangible capital assets

March 31, 2024 Cost	March 31, 2023	Acquisitions	Transfer to "in use"	Disposals	March 31, 2024
Leasehold improvements	$ 18,917	$ 2,475	- $	$ (851)	$ 20,541
Furniture and fixtures	561	-	-	(106)	455
Office equipment	1,602	414	-	(10)	2,006
Informatics hardware	7,954	640	-	(1,935)	6,659
Externally purchased software	782	13	-	(7)	788
Internally developed software	30,412	-	742	(1,140)	30,014
Internally developed software under development	151	736	(742)	-	145
Total	$ 60,379	$ 4,278	- $	$ (4,049)	$ 60,608

Accumulated amortization	March 31, 2023	Amortization		Disposals	March 31, 2024
Leasehold improvements	$ 15,542	$ 272	- $	$ (851)	$ 14,963
Furniture and fixtures	556	3	-	(106)	453
Office equipment	1,268	212	-	(10)	1,470
Informatics hardware	6,541	661	-	(1,935)	5,267
Externally purchased software	608	83	-	(7)	684
Internally developed software	22,136	2,174	-	(1,140)	23,170
Total	$ 46,651	$ 3,405	- $	$ (4,049)	$ 46,007
Net book value	$ 13,728	- $	- $	- $	$ 14,601

March 31, 2023 Cost	March 31, 2022	Acquisitions	Transfer to "in use"	Disposals	March 31, 2023
Leasehold improvements	$ 17,470	$ 1,447	- $	- $	$ 18,917
Furniture and fixtures	1,776	-	-	(1,215)	561
Office equipment	2,437	220	-	(1,055)	1,268
Informatics hardware	7,362	592	-	-	7,954
Externally purchased software	747	35	-	-	782
Internally developed software	30,412	-	-	-	30,412
Internally developed software under development	-	151	-	-	151
Total	$ 60,204	$ 2,445	- $	$ (2,270)	$ 60,379

Accumulated amortization	March 31, 2022	Amortization		Disposals	March 31, 2023
Leasehold improvements	$ 15,130	$ 412	- $	- $	$ 15,542
Furniture and fixtures	1,755	16	-	(1,215)	556
Office equipment	2,096	227	-	(1,055)	1,268
Informatics hardware	5,749	792	-	-	6,541
Externally purchased software	518	90	-	-	608
Internally developed software	19,863	2,273	-	-	22,136
Total	$ 45,111	$ 3,810	- $	$ (2,270)	$ 46,651
Net book value	$ 15,093	- $	- $	- $	$ 13,728

None of the assets held have any restriction on title and none of the assets have been pledged as security for liabilities. As at March 31, 2024, OSFI had $38,901 of tangible capital assets at cost that were fully amortized and still in use. These assets are primarily fully amortized leasehold improvements and internally developed software applications that are near the end of their useful life and are scheduled to be replaced. Their fair value is insignificant.

7. Employee benefits

a) Post-employment benefits

i. Pension benefits

Substantially all of the employees of OSFI are covered by the public service pension plan (the Plan), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and OSFI. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate, on pensionable earnings, effective as at March 31, 2024 was 8.994% (2023 - 9.800%). Total contributions of $17,905 were recognized as expense for the year ended March 31, 2024 (2023 - $14,666).

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

ii. Severance benefits

OSFI used to administer a severance benefits plan for its employees. On termination of employment, eligible employees were entitled to certain benefits provided for under their conditions of employment based on their years of service. The plan was substantially curtailed in 2013 and employees no longer accumulate years of service. OSFI's remaining liability in regards to this plan relates primarily to employees who chose to defer receipt of their entitlement until departure. Current service benefit costs relate to the cost of involuntary departures.

Information about OSFI's severance benefit plan is presented in the table below.

	March 31, 2024	March 31, 2023
Accrued benefit obligation, beginning of the year	**$ 4,663**	**$ 4,902**
Current service cost	310	217
Interest cost	142	113
Benefits paid	(308)	(540)
Actuarial gain	(232)	(29)
Accrued benefit obligation, end of the year[1]	4,575	4,663
Unamortized net actuarial loss	(12)	(245)
Accrued benefit liability	**$ 4,563**	**$ 4,418**

[1] The cost corresponding to annual changes in the accrued benefit liability is recovered from OSFI's various sources of revenue outlined in Note 2 i) to the financial statements. Amounts collected in excess of benefits paid are presented on the *Statement of Financial Position* under the heading of Cash entitlement.

Net benefit plan cost - severance	March 31, 2024	March 31, 2023
Current service cost	$ 310	$ 217
Interest cost	142	113
Amortization of actuarial loss	1	19
Benefit cost	**$ 453**	**$349**

The most recent actuarial valuation for severance benefits was completed as at March 31, 2024. OSFI measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring OSFI's accrued benefit obligation is a discount rate of 3.44% (2023 - 3.04%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2024 is an annual economic increase of 2.25% for the plan year 2025 (2023 - 3.5% for the plan year 2024). Thereafter, annual economic increases ranging from 2.0% to 2.7% are assumed (2023 - 2.25% to 2.7%). The average remaining service period of active employees covered by the benefit plan is 14 years (2023 - 14 years).

b) Other long-term benefits

i. Sick leave

Information about OSFI's sick leave plan is presented in the table below.

	March 31, 2024	March 31, 2023
Accrued benefit obligation, beginning of the year	**$ 17,343**	**$ 17,343**
Current service cost	1,760	1,934
Interest cost	553	346
Benefits used	(1,338)	(1,153)
Actuarial (gain)/loss	(8,677)	2,229
Accrued benefit obligation, end of the year[1]	9,621	17,343
Unamortized net actuarial gain (loss)	3,843	(4,538)
Accrued benefit liability	**$ 13,464**	**$ 12,805**

[1] The cost corresponding to annual changes in the accrued benefit liability is recovered from OSFI's various sources of revenue outlined in Note 3 i) to the financial statements. Amounts collected in excess of benefits paid are presented on the *Statement of Financial Position* under the heading of Cash entitlement.

Net benefit plan expense - sick leave	March 31, 2024	March 31, 2023
Current service cost	$ 1,760	$ 1,934
Interest cost	533	346
Amortization of actuarial (gain)/loss	(296)	348
Benefit cost	**$ 1,997**	**$ 2,628**

The most recent actuarial valuation for sick leave benefits was completed as at March 31, 2024. OSFI measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

The significant actuarial assumption adopted in measuring OSFI's accrued benefit obligation is a discount rate of 3.46% (2023 - 3.04%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2024 is an annual economic increase of 2.25% for the plan year 2025 (2023 - 3.5% for the plan year 2024). Thereafter, annual economic increases ranging from 2.0% to 2.7% is assumed (2023 - 2.25% to 2.7%). The average remaining service period of active employees covered by the benefit plan is 15 years (2023 - 14 years).

8. Revenue and expenses by major classification

	Budget for the year ending March 31, 2024	March 31, 2024	March 31, 2023
Revenue			
Base assessments	$ 265,939	$ 285,238	$ 220,823
Cost-recovered services	17,383	17,348	14,381
Pension plan assessments	7,534	7,556	5,613
User fees and charges	2,300	1,335	735
Total revenue earned from respendable sources	293,156	310,477	241,552
Expenses			
Personnel	219,415	248,274	188,951
Professional service	34,546	30,275	23,954
Rental	18,020	17,824	16,101
Amortization	5,281	3,405	3,810
Travel	2,754	1,405	1,626
Machinery and equipment	8,387	3,949	3,487
Information	2,475	3,400	2,274
Communications	1,735	1,405	1,108
Repairs and maintenance	886	995	656
Materials and supplies	110	382	192
Other	791	407	637
Total expenses	294,400	311,721	242,796
Net results of operations before government funding and non-respendable administrative monetary penalties revenue	(1,244)	(1,244)	(1,244)
Government funding	1,244	1,244	1,244
Administrative monetary penalties revenue	50	68	5
Administrative monetary penalties earned on behalf of the government	(50)	(68)	(5)
Surplus from operations	- $	- $	- $
Full-time equivalent number of employees	1,232	1,315	1,024

	Budget for the year ending March 31, 2024	March 31, 2024	March 31, 2023
Personnel expenses			
Wages and salaries	$ 172,091	$ 193,333	$ 147,052
Other benefits	30,914	36,554	26,870
Post-employment benefits other than severance	15,812	17,905	14,666
Severance benefits	578	453	349
Other personnel costs	20	29	14
Total	$ 219,415	$ 248,274	$ 188,951

9. Administrative monetary penalties

Administrative monetary penalties levied by OSFI are remitted to the CRF. The funds are not available for use by OSFI and are not included in the balance of the Cash entitlement. As a result, the penalties do not reduce the amount that OSFI assesses the industry in respect of its operating costs. Refer to Note 3 i) for further information on OSFI's accounting policy as it relates to administrative monetary penalty revenue.

In the year ended March 31, 2024, OSFI levied $68 (2023 - $5) in administrative monetary penalties.

10. Operating lease arrangements

OSFI has entered into operating lease agreements for office space and office equipment in four locations across Canada. The minimum aggregate annual payments for future fiscal years are as follows:

March 31, 2025	11,203
March 31, 2026	9,516
March 31, 2027	7,874
March 31, 2028	7,711
March 31, 2029	7,383
Thereafter	7,441
Total	$ 51,128

11. Contingencies

A claim for unspecified damages was lodged against the Government of Canada and its constituent entities (including OSFI) during 2020-21. The claim has not advanced to a point where the potential outcome or the amount at risk can be determined, as such no provision for contingent liabilities has been accrued at the date of these financial statements. In the normal course of its operations, OSFI is involved in a limited number of legal claims. Although the final result of these claims cannot be determined at this time, management is of the opinion that the results will not have a material impact on the financial statements.

12. Financial risk management

OSFI's financial liabilities include: Accrued salaries and benefits, Trade and other payables, Unearned base assessments and Unearned pension plan assessments. These liabilities provide short-term financing for OSFI's operations. Financial assets: include Cash entitlement, Trade and other receivables, Accrued base assessments, Accrued pension plan assessments.

OSFI is exposed to market risk, credit risk and liquidity risk in connection with its financial instruments. OSFI's risk exposures and its processes to manage these risks did not change significantly during the year ended March 31, 2024.

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. OSFI is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar but is not exposed to interest rate risk nor to other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. OSFI's exposure to the risk of changes in foreign exchange rates relates primarily to OSFI's operating activities (when expenses are denominated in a currency other than the Canadian dollar).

OSFI manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of OSFI's transactions presented were denominated in Canadian dollars; as such, OSFI's exposure to currency risk for all periods presented is insignificant.

There is no impact to revenues since all billings are in Canadian dollars.

b) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss. The maximum exposure OSFI has to credit risk as at March 31, 2024 is $24,267 (March 31, 2023 - $9,367) which is equal to the carrying value of its Trade and other receivables and Accrued base assessments.

All federally regulated financial institutions and federally regulated private pension plans are required to register with OSFI and pay the assessments as established by OSFI. Any loss incurred by OSFI as a result of a counterparty not meeting its obligations is recorded in the year incurred and collected in the following year through assessments to the industry to which the balance pertains, as outlined in the OSFI Act. All remaining receivables are with other Canadian federal and provincial government organizations, where there is minimal potential risk of loss. OSFI does not hold collateral as security.

c) Liquidity risk

Liquidity risk is the risk that OSFI will encounter difficulty in meeting its obligations associated with current and future financial liabilities. OSFI's objective is to maintain sufficient Cash entitlement through its collection of base assessments, cost-recovered services and other fees and charges in order to meet its operating requirements. OSFI manages liquidity risk through detailed annual planning and billing processes that are structured to allow for sufficient liquidity from one billing period to the next. OSFI's objective is to accurately estimate its operating costs and cash requirements for the current year and to recover these through its interim base assessments, fees and other sources of revenue.

OSFI's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Disbursing payments from its Cash entitlement account; and,
- Drawing on its revolving expenditure authority, pursuant to Section 17.4 of the OSFI Act.

Drawings on this facility were $Nil as at March 31, 2024 (March 31, 2023 - $Nil).

Refer to Note 1 for further information on OSFI's authority and Note 3 a) for further information on the accounting policies for its revolving spending authority.

The table below summarizes the maturity profile of OSFI's financial liabilities as at March 31, 2024 and March 31, 2023 based on contractual undiscounted payments. When the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which OSFI can be required to pay. When amounts are due in installments, each installment is allocated to the earliest period in which OSFI can be required to pay.

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2024 Total
Accrued salaries & benefits	$ 14,484	$ 28,907	$ 15,877	$ -	$ -	$ 59,268
Trade and other payables	-	8,337	-	-	-	8,337
Unearned pension plan assessments	-	120	769	1,454	301	2,644
Total	**$ 14,484**	**$ 37,364**	**$ 16,646**	**$ 1,454**	**$ 301**	**$ 70,249**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Greater than 5 years	March 31, 2023 Total
Accrued salaries & benefits	$ 12,886	$ 29,750	$ -	$ -	$ -	$ 42,636
Trade and other payables	-	8,946	-	-	-	8,946
Unearned base assessments	-	-	2,085	-	-	2,085
Unearned pension plan assessments	-	22	65	1,749	349	2,185
Total	**$ 12,886**	**$ 38,718**	**$ 2,150**	**$1,749**	**$ 349**	**$ 55,852**

Unearned pension plan assessments represent the accumulation of in-year surplus or deficit against assessments collected. These are in turn paid or collected over a period of five years commencing one year from the year in which they were established. OSFI does not charge nor pay interest to the various pension plans over the five years.

13. Accumulated surplus

	March 31, 2024	March 31, 2023
Contributed surplus	$ 28,327	$ 28,327
Accumulated deficit	(2,647)	(2,647)
Accumulated surplus	**$ 25,680**	**$ 25,680**

OSFI was established on July 2, 1987 by the OSFI Act. OSFI was created through the merger of its two predecessor agencies – the Department of Insurance and the Office of the Inspector General of Banks. To help fund OSFI's first year of operations and establish a pool of working capital necessary to support its annual assessment and expenditure cycle, OSFI was credited with the assessments that recovered the costs of its predecessors for the previous fiscal year. This amount is reflected as contributed surplus.

OSFI fully recovers its costs each year resulting in no in-year surplus or deficit. The accumulated deficit of $2,647 represents the net impact of transition adjustments arising from the transition to accrual accounting in 2000-2001 and the adoption of new or revised accounting standards since then. The balance has not changed since the transition to PSAS on April 1, 2017.

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